

REM

**Risk Enterprise
Management
Limited**

BBWSF:
12.11.8

December 1, 1997

Michael David Lichtenstein, Esq.
Lowenstein, Sandler, Kohl, Fisher & Boylan
65 Livingston Avenue
Roseland, NJ 07068

Re: REM's Principal: The Home Insurance Company
Insured: Group R Company, Inc.
Claim No.: 087-519989
Policy Nos.: HEC 4344274, HEC 4763007, HEC 4763461, HEC 4973371, and
GA 996264
Site: Coeur d'Alene Basin, Northern Idaho
Suit: U.S. Dept. of Justice and the Coeur d'Alene Tribe v. ASARCO, Inc.,
including Group R.

Dear Mr. Lichtenstein:

Please be advised that Risk Enterprise Management Limited ("REM") has been appointed to manage the business of The Home Insurance Companies ("Home").

On behalf of The Home we hereby acknowledge receipt of your notice of claim made on the part of Group R Company, Inc. and arising out of alleged environmental contamination at the Coeur d'Alene Basin, located in Northern Idaho (the "site"). It is our understanding that, according to the notice of claim, Group R Company, Inc. ("Group R") as the alleged successor by merger to the Golconda Corporation (formerly known as the Golconda Lead Mines, Inc. (from 1927 to 1962) and the Golconda Mining Corporation (from 1962 to 1970)) and was formally known as the RegO Company (from 1977 to 1978) ("RegO") and RegO Group, Inc. (from 1978 to 1992) ("RegO Group"). From 1974 through 1976, Cerro Corporation ("Cerro") owned approximately 85% of the shares in Golconda Corporation. In 1976, Cerro was merged into the Cerro-Marmon Corporation ("Cerro-Marmon") and Cerro-Marmon continued to hold an 85% interest in Golconda. In 1977, Cerro-Marmon changed its name to The Marmon Group, Inc. ("Marmon Group") and continued to own 85% of Golconda/RegO/RegO Group until 1985, when Marmon Group purchased the outstanding 15% of stock in RegO Group and became the owner of 100% of the stock.

Your notice also indicated that on or about August 29, 1997, the United States Department of Justice and the Coeur d'Alene tribe filed motions in the United States District Court for the District of Idaho seeking leave to amend their complaints to add Group R as a defendant and

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seeking contribution pursuant to CERCLA toward the cleanup costs of the Coeur d'Alene mining district in Northern Idaho as well as natural Resource Damages.

Please be advised that we will be reviewing your notice to determine whether The Home has a duty to defend against any suit arising out of the claim or to indemnify for any loss that may result from it.

We have not as yet verified that The Home issued the policies referenced in your letter, nor have we ascertained the terms, conditions and exclusions contained in those policies.

We also need additional factual information to determine whether there is coverage for the claim. Once we have had the opportunity to complete the policy review process, we then shall be in a position to advise you as specifically as possible what that information is. In the interim, you may wish to supplement your claim notice. This will assist us in completing our review at the earliest possible time.

The following are general inquiries that we make in determining coverage for site contamination claims. It shall be most appreciated if you would address these points and furnish us with as much information as you can develop on each one. This will enable us to respond as quickly as possible, and to obviate the necessity for extensive follow-up inquiries:

Has Group R ever owned, leased, or controlled all or any portion of the allegedly contaminated site? If so, please provide us with the particulars, including when and what its interest was. Also, please provide copies of any studies, reports, evaluations and recommendations made with respect to disposal of waste streams treated, stored or disposed of at the site.

Has Group R ever participated in the management or operation of the site or has it provided technical assistance or information regarding storage, disposal or treatment of hazardous substances at the site? If so, please describe each such action and indicate when it happened. If not, please describe all visits to the site by Group R's personnel, identifying who made the visits, when, and what was learned from each visit about the site's condition and operation.

If the site was used for waste disposal, storage or treatment prior to Group R's involvement, when and how did Group R learn about the site and its waste-related activities? Prior to selecting the site, did Group R have any communication with any governmental agencies about the site, the waste Group R ultimately sent to the site or the suitability of the site for the waste it sent? If so, please state what those communications were and when they took place. What other inquiries by Group R

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preceded its decision to send hazardous substances there and what was learned from each?

Has Group R at any time made any inquiries regarding the status of any permits and other regulatory authorizations for the site? If so, when were the inquiries made and what was learned?

If Group R was a generator for the site, please state all substances, whether or not hazardous, that Group R caused to be sent to the site, the quantities of each substance sent, the time periods during which each substance was sent and the identity of those who transported each of the substances to the site.

Has the contamination affected the site's soil, groundwater or both? Are any of the substances that entered the site ones that Group R caused to be sent to the site? If so, what are they? Are you aware of any other substances which have contaminated the site? When and how were the contaminants released into the site? When and how did Group R first learn of the contamination? To your knowledge, are contaminants continuing to enter the site soil or groundwater? Have the contaminants migrated off-site or are they likely to do so? What steps have been taken to prevent further contamination and to contain and clean up the contamination that already exists?

Please identify all governmental agencies that are investigating, or have investigated, waste disposal practices at the site. When and how did Group R first learn that waste practices at the site were under investigation by a governmental agency?

Kindly make available for review any invoices, manifests and contracts relating to the site and any brochures or other documents that provide information about the site or its operation. Group R may wish to bring to our attention other information and documents.

Please be assured that we will promptly review whatever is submitted. After examining the information and documents you provide, we may have additional questions. So, it shall be appreciated if you would provide us with as much information as possible initially.

Please be aware that this letter of acknowledgment is not an admission by The Home that it has a duty to defend against the claim you described or to indemnify for any loss that may result from it. As of this time, we are not in a position to make either determination and respectfully must reserve all of The Home's rights to contest both. When we complete our policy review and investigation, we will notify you promptly of our coverage position.

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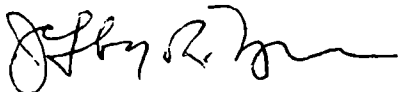
Michael David Lichtenstein, Esq.

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In the interim, if you have not done so already, it is suggested that you give notice of this claim to any other primary or excess carriers that have not been contacted. Also, kindly advise me if there are any other developments. At anytime, please feel free to contact me at the above address or at telephone number (212) 530-4341. Thank you very much.

Very truly yours,



Jeffrey R. Morgan
Litigation Analyst
Environmental Claims Department

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